

# Government spending in dynamic general equilibrium models

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PROPOSITIONS  
ACCOMPANYING THE THESIS  
GOVERNMENT SPENDING IN DYNAMIC GENERAL EQUILIBRIUM MODELS  
BY  
STEFAN KÜHN

- 1.) The existence of the consumption crowding-in puzzle is in itself a puzzle to old-Keynesian economists. (Chapter 1)
- 2.) Crowding out of consumption occurs almost by construction in the New Keynesian model. For that reason all approaches to explain crowding-in existing thus far in the literature have to make far-stretched assumptions. (Chapter 3)
- 3.) Even though the direct effect of temporary government spending is to reduce household's saving desire, it can still increase savings if it is persistent and productive enough. (Chapter 4)
- 4.) Endogenous technological progress not only allows long run effects of temporary shocks, but also changes the short run response due to a dynamic feedback effect. (Chapter 5)
- 5.) Economists become very creative in trying to prove a point with a model, which is not made for that purpose. (Chapter 3)
- 6.) Only once you start research into a topic you get to see how much you actually don't know about it.
- 7.) The fact that people do not live infinitely and maximize a log-linear utility function is clearly a failure of reality.
- 8.) According to Isaac Asimov, we still have another 23.000 years until a working multi-planetary societal and economic model useful for multi-century forecasting will be developed by Hari Seldon. For now, economists are happy if they can explain developments of the past with their model.
- 9.) A calendar with 13 months of 28 days each (plus an extra day somewhere) would make much more sense.
- 10.) Don't take life too serious. You'll never make it out alive. (Van Wilder)

Maastricht, 18 February 2011